

AR79

AYLMER



1972
ANNUAL REPORT

CANADIAN CANNERS LIMITED

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS

L. M. Crandall	Pembroke, Ontario
A. L. Croce	San Francisco, California
W. I. Drynan	Hamilton, Ontario
Alfred W. Eames, Jr.	San Francisco, California
Richard Fox, C.A.	Hamilton, Ontario
L. H. Johnston, F.C.A.	Hamilton, Ontario
A. L. Nelson	Hamilton, Ontario
Leonard A. Philip	Toronto, Ontario
W. S. Sewell, Q.C.	Toronto, Ontario
J. Leonard Walker	Montreal, Quebec
Richard H. Ward	San Francisco, California
Ross B. Yerby	San Francisco, California

OFFICERS

Ross B. Yerby	Chairman of the Board
L. H. Johnston	President and Chief Executive Officer
Richard Fox	Vice-President—Finance & Corporate Development
J. Y. Massey	Vice-President—Marketing
A. L. Nelson	Vice-President—Production
W. G. Lister	Treasurer and Controller
D. W. Munn	Secretary
A. L. Croce	Assistant Secretary

HEAD OFFICE

44 Hughson Street South, Hamilton, Ontario

SUBSIDIARY COMPANIES

Aylmer Foods Warehousing Limited
Boese Foods Limited
Canners Machinery Limited
Duncan Lithographing Company Limited
The Pyramid Canners Limited
St. Williams Preservers Limited
Wagstaffe Limited
Walmer Transport Company Limited

REGISTRAR AND TRANSFER AGENTS

Royal Trust Company, Toronto and Montreal

TRUSTEE FOR DEBENTURE HOLDERS

Canada Permanent Trust Company

AUDITORS

Price Waterhouse & Co.

ANNUAL MEETING

October 5, 1972, 10:00 a.m. (E.D.S.T.),
Sheraton-Connaught Hotel, Hamilton, Ontario

To Our Shareholders and Employees

The consolidated sales of Canadian Cannery Limited increased by 10.9% over the prior year, again reflecting the significant growth pattern which has been evident in the past few years. The net earnings of \$1,263,000 achieved for the year represent 90¢ per share compared to last year's earnings of 58¢ per share. The return on shareholders' equity of 4.2%, although a significant improvement over last year, still falls far short of a satisfactory return.

The improvement in earnings during the past year reflects the results of production and marketing programs introduced during 1971. Cost improvement programs in our production operations have helped to hold down manufacturing costs in the face of significant increases for labour and materials. Our marketing strategy has enabled us to maintain our share of market for our featured AYLMEER and DEL MONTE brands, and has increased sales in other brands and distributors' brands.

In the Spring of 1971 we introduced five flavours of DEL MONTE Pudding Cup as our first entry into the single-serving-away-from-home convenience food market. In the Fall of 1971 we added two fruit products to our single-serving line. Sales have progressed rapidly; and our plans call for the introduction of additional single-serving products later this year.

The cost reductions made by our can and label manufacturing facilities provide important contributions to the operating efficiency of our

food processing operations. We are continuing our search for further integration and diversification opportunities through our Corporate Development program.

Our Scientific Research Centre staff, in liaison with the Del Monte Corporation Research and New Product Groups, are carrying out new product and process development research and environmental control programs.

Both as a company and as a member of the food processing industry, we are deeply concerned about the effect on business of some of the legislation which has been enacted in recent years, and which is being proposed for the future, such as, the Consumer Packaging and Labelling Act, the revised Competition Act, and the Foreign Takeovers Review Act. However, we are pleased that Government authorities are giving individual companies and industry Associations an opportunity to discuss proposed legislation before it becomes law.

The Company declared four dividends of 10 cents per share on its Class A common shares during the year. Since the date of issue, October 1, 1956, no dividends have been declared on Class B common shares, substantially all of which are owned by Del Monte Corporation. Class A and B shareholders are entitled to cumulative dividends at the rate of 75¢ per share per annum. As of June 30, 1972, accumulated dividends not declared on Class A shares were \$614,000 and on Class B shares \$11,060,000.

Weather conditions were somewhat unfavourable during the early growing season for 1972 crops. Some packs will undoubtedly be affected but we do not, at this time, anticipate any serious overall shortages in pack volumes.

Again this year we are facing increased labour, produce, and packaging costs. Continuing economies of operation will offset the cost increases and inflationary pressures to some degree and together with the aggressive marketing programs initiated this year, should produce a continuation of the upward trend in earnings which we have experienced over the last two years.

At a Board Meeting on July 27, 1972, Mr. Walter F. Cooper, Vice-President and Treasurer of Del Monte Corporation, resigned as a director and Mr. Richard H. Ward, Group Vice-President, Finance of Del Monte Corporation, was appointed to the Board to fill the vacancy. The Board wishes to express its appreciation to Mr. Cooper for his valuable contribution as a director.

The Directors and Management wish to express sincere appreciation to all of our employees for the extra effort and dedication which contributed so importantly to the past year's improved earnings.

On behalf of the Board of Directors,
 Ross B. Yerby, L. H. Johnston,
 Chairman President

Hamilton, Ontario,
 July 27, 1972

Financial Highlights

	1972	1971
Sales	\$64,078,000	\$58,582,000
Net earnings	1,263,000	809,000
Per dollar of sales	2.0¢	1.4¢
Per Class A and B common share .....	.90	.58
Return on shareholders' equity	4.2%	2.7%
Dividends paid per Class A share .....	.40	.40
Retained earnings	24,593,000	23,517,000
Working capital	17,055,000	16,907,000
Working capital ratio	2.0	2.2
Shareholders' equity	30,890,000	29,814,000

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Financial Position

May 31, 1972 May 31, 1971

Current Assets

Cash	\$ 45,000	\$ 37,000
Accounts receivable	6,238,000	6,428,000
Inventories (details on opposite page)	26,787,000	22,447,000
Costs allocable to future operations	1,850,000	1,789,000
	<u>34,920,000</u>	<u>30,701,000</u>

Current Liabilities

Bank and other advances	9,364,000	6,919,000
Accounts payable and accruals	6,331,000	5,810,000
Income and other taxes payable	1,038,000	611,000
Payments due within one year on long-term debt	1,085,000	407,000
Dividend payable on Class A common shares	47,000	47,000
	<u>17,865,000</u>	<u>13,794,000</u>

Working Capital	17,055,000	16,907,000
Fixed Assets (details on opposite page)	13,496,000	13,673,000
Other Assets (details on opposite page)	5,260,000	5,654,000
	<u>35,811,000</u>	<u>36,234,000</u>

Deduct:

Long-term debt (details on opposite page)	1,549,000	2,634,000
Deferred income taxes	3,372,000	3,786,000
	<u>4,921,000</u>	<u>6,420,000</u>

Shareholders' Equity	\$30,890,000	\$29,814,000
-----------------------------------	---------------------	---------------------

Represented by:

Capital stock (details on opposite page) (Note 3)	\$ 6,297,000	\$ 6,297,000
Retained earnings	24,593,000	23,517,000
	<u>\$30,890,000</u>	<u>\$29,814,000</u>

Approved on behalf of the Board

L. H. Johnston, Director
Ross B. Yerby, Director

Notes to Financial Statements

- 1) At May 31, 1972 Canadian Canners Limited and its subsidiary companies had long-term leases expiring in various years through 1994 covering land, buildings and equipment. The average annual rentals payable under these agreements are estimated at \$616,000 for 1973-76, \$386,000 for 1977-81, \$155,000 for 1982-94.
- 2) During the fiscal year ended May 31, 1972, the aggregate direct remuneration paid or payable by the Company to twelve directors as directors was \$5,000 and to eight officers as officers (5 of whom were directors) was \$146,000.

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Details of Items in Accounts

	May 31, 1972	May 31, 1971
Inventories		
Valued at lower of cost and net realizable value		
Merchandise	\$17,075,000	\$13,546,000
Materials and supplies	9,712,000	8,901,000
	<u>\$26,787,000</u>	<u>\$22,447,000</u>
Fixed Assets		
At cost		
Land	\$ 730,000	\$ 730,000
Buildings	8,531,000	8,465,000
Machinery and other equipment	21,210,000	20,508,000
	<u>30,471,000</u>	<u>29,703,000</u>
Less: Accumulated depreciation	16,975,000	16,030,000
	<u>\$13,496,000</u>	<u>\$13,673,000</u>
Other Assets		
Mortgages and long-term receivables	\$ 2,017,000	\$ 2,411,000
Intangibles—brand names, trade marks, patents, processes, goodwill, etc.	3,243,000	3,243,000
	<u>\$ 5,260,000</u>	<u>\$ 5,654,000</u>
Long-Term Debt (exclusive of payments due within one year)		
5% Sinking fund debentures maturing June 15, 1973	\$ 1,200,000	\$ 1,480,000
Notes of subsidiary companies payable in varying amounts to 1977	349,000	1,154,000
	<u>\$ 1,549,000</u>	<u>\$ 2,634,000</u>
Capital Stock		
Class A common shares without nominal or par value		
Authorized — 1,000,000		
Issued — 468,137	\$ 2,099,000	\$ 2,099,000
Class B common shares without nominal or par value		
Authorized — 2,000,000		
Issued — 936,274	4,198,000	4,198,000
	<u>\$ 6,297,000</u>	<u>\$ 6,297,000</u>

- 3) The holders of Class A common shares are entitled to cumulative cash dividends at the rate of 75¢ per share per annum in priority to any dividends on the Class B common shares. Dividends have been paid on the Class A common shares up to and including September 3, 1968 at the rate of 75¢ per share per annum and subsequently at the rate of 40¢ per share per annum. Subject to the prior rights of the Class A common shares, the holders of Class B common shares are entitled to cash dividends accumulating from the date of issue on October 1, 1956 at the rate of 75¢ per share per annum. To June 30, 1972 the accumulated dividends not declared on Class A common shares amount to \$614,000 and on Class B common shares amount to \$11,060,000. After the Class A and B common shares have received payment of all accumulated dividends, Class A and B common shares share equally in any dividends in excess of 75¢ per share per annum.

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings and Retained Earnings

	Year Ended May 31	
	1972	1971
Sales and operating revenues	\$64,078,000	\$58,582,000
Costs and expenses		
Costs and expenses excluding items listed below	60,220,000	55,667,000
Depreciation	1,331,000	1,262,000
Interest on long-term debt	89,000	94,000
Income taxes	1,175,000	750,000
	62,815,000	57,773,000
Net earnings	1,263,000	809,000
Retained earnings at beginning of year	23,517,000	22,895,000
	24,780,000	23,704,000
Dividends declared on Class A common shares	187,000	187,000
Retained earnings at end of year	\$24,593,000	\$23,517,000
Net earnings per share (Class A and B common combined) ..	\$.90	\$.58

Consolidated Statement of Source and Use of Funds

	Year Ended May 31	
	1972	1971
Source of Funds		
Earnings from operations	\$ 1,263,000	\$ 809,000
Depreciation	1,331,000	1,262,000
Deferred income taxes	(414,000)	(342,000)
Funds from operations	2,180,000	1,729,000
Proceeds from disposal of properties	70,000	243,000
Decrease in mortgages and long-term receivables	394,000	170,000
Long-term debt of subsidiary company acquired	-	409,000
	2,644,000	2,551,000
Use of Funds		
Investment in fixed assets	1,224,000	2,417,000
Dividends declared on Class A common shares	187,000	187,000
Reduction of long-term debt	1,085,000	469,000
	2,496,000	3,073,000
Increase (Decrease) in Working Capital	\$ 148,000	\$ (522,000)

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Ten Year Review of Financial Data

Figures in thousands except per share

	Twelve Months Ended May 31			Fifteen Months Ended May 31	Twelve Months Ended February 28 (29)					
	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
FOR THE YEAR										
Sales	\$64,078	58,582	54,663	68,028	53,677	52,251	50,568	47,954	43,243	40,244
Earnings from operations	1,263	809	692	754	1,175	1,172	1,796	1,593	1,162	354
Per dollar of sales	2.0¢	1.4¢	1.3¢	1.1¢	2.2¢	2.2¢	3.6¢	3.3¢	2.7¢	0.9¢
Per Class A and B common share .....	.90	.58	.49	.54	.84	.83	1.28	1.13	.83	.25
Loss from Cyclamate ban	—	—	(490)	—	—	—	—	—	—	—
Gain on sale of properties	—	—	1,501	301	—	492	—	—	—	—
Net Earnings	1,263	809	1,703	1,055	1,175	1,664	1,796	1,593	1,162	354
Per Class A and B common share .....	.90	.58	1.21	.75	.84	1.18	1.28	1.13	.83	.25
Return on shareholders' equity	4.2%	2.7%	6.0%	3.6%	4.4%	6.5%	7.4%	7.0%	5.3%	1.7%
Cash dividends paid	187	187	187	357	351	351	351	351	351	351
Per Class A common share .....	.40	.40	.40	.76¼	.75	.75	.75	.75	.75	.75
Capital expenditures	1,224	1,342	1,331	1,452	915	2,039	2,097	1,333	1,187	1,214
Provision for depreciation	1,331	1,262	1,240	1,535	1,219	1,172	1,093	988	871	757
AT YEAR END										
Working capital	17,055	16,907	17,429	17,778	18,079	16,935	16,500	15,887	15,748	14,626
Working capital ratio	2.0	2.2	2.5	2.2	2.2	2.2	2.4	2.7	3.4	2.9
Net fixed assets	13,496	13,673	12,761	13,198	13,550	13,972	12,791	11,914	10,607	10,615
Long-term debt	1,549	2,634	2,694	3,144	5,319	5,805	4,625	4,940	5,255	5,570
Retained earnings	24,593	23,517	22,895	21,426	20,728	19,904	18,591	17,146	15,904	15,093
Shareholders' equity	30,890	29,814	29,192	27,723	27,025	26,201	24,888	23,443	22,201	21,390

Auditors' Report to the Shareholders of Canadian Canners Limited

We have examined the consolidated statement of financial position of Canadian Canners Limited and its subsidiary companies as at May 31, 1972 and the consolidated statements of earnings and retained earnings and use of funds for the year ended May 31, 1972. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at May 31, 1972 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants.

Hamilton, July 27, 1972

AR79

*Interim
Report
to
Shareholders*

AYLMER



FOR THE NINE MONTHS ENDED

FEBRUARY 29, 1977

CANADIAN CANNERS LIMITED

HAMILTON, ONTARIO

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

To Our Shareholders

The unaudited consolidated financial results for the nine months ended February 29, 1972, compared with the nine months ended February 28, 1971, are summarized below:

	Nine Months Ended February 29 and 28 <u>1972</u>	<u>1971</u>
Sales and operating revenues	\$43,511,000	\$40,164,000
Cost and expenses	<u>42,184,000</u>	<u>39,098,000</u>
Earnings before taxes	1,327,000	1,066,000
Income taxes	<u>669,000</u>	<u>561,000</u>
Net earnings for the nine months	<u>\$ 658,000</u> =====	<u>\$ 505,000</u> =====
Net earnings per class A and B share	<u>47¢</u> ---	<u>36¢</u> ---

The increase in sales and operating revenues for the nine month period of this year over the same period last year has been 8.3%.

The net earnings for the nine months of \$658,000 or 47¢ per share compare with the \$505,000 or 36¢ per share reported a year ago. The earnings to date are at the rate of 1.5¢ per dollar of sales and represent a return on equity of 2.2%.

We are going to experience substantial increases in the cost of materials, labour and services for our 1972 processing season. These cost increases will have to be reflected in selling prices to retain the current earnings performance, which is at a low level. Further selling price adjustments will be necessary to bring the earnings and return on equity to a more satisfactory level.

The Board of Directors have declared a dividend of 10¢ per class A common share for the quarter ending June 30, 1972, payable on July 1, 1972, to shareholders of record on June 1, 1972.

R.B.Yerby,
Chairman

L.H.Johnston,
President

Hamilton, Ontario, April 26, 1972